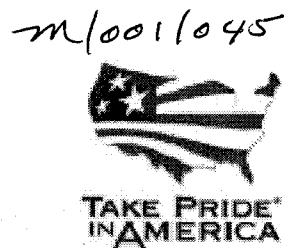




United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Cedar City Field Office
176 East DL Sargent Drive
Cedar City, UT 84720
Telephone (435) 586-2401
www.ut.blm.gov/cedar_city/



In Reply Refer To:

UT-042
3809: UTU-72232

August 15, 2005

Mr. Tom Munson
Senior Reclamation Specialist
Division of Oil, Gas and Minerals
1594 West North Temple, Suite 1210
Salt Lake City, UT 84720

RECEIVED
AUG 18 2005

Dear Mr. Munson:

DIV. OF OIL, GAS & MINING

This letter is in regard to Gemstone Mining Inc.'s (GMI) Red Emerald Mine located in the southern Wah Wah Mtns., Beaver County, Utah. The mine site is located entirely on Federally-owned land administered by the BLM Cedar City Field Office. The mine was permitted as a large mine under DOGM rules, file number M/001/045, and as a plan of operations under BLM regulations, file number UTU-72232.

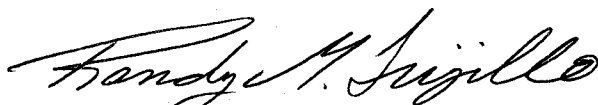
As you know, the earthwork reclamation and the first seeding of this site was completed in late 2001. Through letter dated January 8, 2002, this office recommended a partial release of GMI's reclamation bond. Drought conditions prevalent in southern Utah at the time of the original seeding resulted in the failure of the original seeding. GMI re-ripped and seeded the site in early 2003. Our most recent inspection of the re-seeded site was made on June 29, 2005. After two seasons of growth, I am convinced that the vegetative cover from the re-seeding is successful from the standpoint of vegetative diversity and density. Despite several severe storm-water events on this site, the earthwork reclamation remains stable and I believe that the vegetative cover now established is stable and will continue to improve.

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As all other reclamation liabilities for this site have been assumed by the REI mine permit (DOGM M/001/058, BLM UTU-79716) covering portions of the former GMI site, we can recommend that any remaining reclamation monies held by the Division for this site be released to GMI.

If you have any questions, feel free to contact Ed Ginouves of my staff at 435-865-3040.

Sincerely,



Todd S. Christensen
Field Office Manager

Associate

cc: Dominique Metz, Secretary, Gemstone Mining Inc.,
c/o Knightsbridge Asset Management, 660 Newport Center Drive, Suite 460,
Newport Beach, CA 92660-6405

Opie Abeyta, USO

Clint Christensen, 599 N 800 W, Cedar City, UT 84720